



# To my daughter on her 16th birthday

**I**t feels like yesterday that I first held you in my arms just after you were born. And here we are 16 years later, GCSE exams behind you and a world of opportunity beckoning.

It's hard to believe you're a young adult now. You can leave school if you want (though I wouldn't recommend it). Your national insurance card has just arrived in the post. And you can now start managing your own junior individual savings account (JISA).

So, I guess it's time to tell you about this JISA: it's a long-term savings account in the UK (similar to an option available to your friends in South Africa).

It will allow you to receive a tax-free lump sum when you turn 18, which should help with university expenses. I've been managing the account to date, and I guess it's time to tell you about some of your investments.

The first share I ever bought for you was Netflix, about eight years ago. You have your godmother to thank for that: she was living in Singapore at the time and working for a Southeast Asian version of the US streaming company. On a visit to us in April 2015, she complained about her then employer and told us how much she admired Netflix for its best-in-class qualities.

So why don't you buy Netflix shares if you rate the company so highly, I asked. No way, she said, they're far too expensive (a view shared over the years by my own colleagues, by the way, as we are value investors – a conversation for another day).

OK, I replied, but I'm going to deploy your goddaughter's annual JISA subscription and buy some Netflix shares in your honour when the market opens tomorrow. If the price

goes up, she can thank you one day; if it goes down, she can blame me.

Fast-forward to today, and this investment has gone up about eight times ... if only I'd bought some for myself!

It has not been one-way traffic, though. The Netflix share price actually reached a record high in October 2021, when the company first announced a slowdown in subscriber numbers. Over the next few months, the share lost three quarters of its value. Since then, it has more than doubled again (though it's still well off the record highs) – a profitable ride, all things considered, albeit a rather volatile one.

Why did I not sell Netflix a couple of years ago, when the share price was more than 50% higher than it is today, I hear you ask. I'm sorry, my child – if only Papa was that clever. But at least I didn't panic and dump it a year ago either, when the price was less than half of what it is today. There's a lot to say for a buy-and-hold strategy.

Such is the nature of equity markets: they go up, they go down ... though not necessarily in that order. But in the long run, they mostly rise, as they essentially reflect the sum total of economic growth and human endeavour facilitated by a free market system.

## Passing the baton

Over the years, I have added to your portfolio by buying shares that I thought you would relate to. Netflix was a pretty good start, given how your viewing habits have evolved. And how do you watch all your favourite programmes? On your iPad, of course, so you'll be glad to hear that you also own some Apple.

When you went to high school and started using Microsoft-based systems, I added that company to your portfolio as well. This is arguably my favourite share of all time, and its prospects in a cloud-based future fuelled by artificial intelligence initiatives look better than ever – truly a stock for the long run.

Thankfully, the examples I've mentioned have all done nicely since I bought them for you. But there's always at least one to keep us modest, and in the case of your JISA, it's Alibaba – a stock that I bought in honour of your Chinese grandmother. You've held it for just over two years, and sadly it's down about 60%. Will it recover? Only time will tell.

I hope you enjoyed this report-back. I trust you are happy with your portfolio manager's performance and service levels. But I will understand if you now fire him; aged 16, you are entitled to do so after all!

(PS: remember to give your godmother a special thank you cuddle for those Netflix shares when you see her again.) ✘

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